Bayerische Landesbank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A−
Short-Term IDR	F1
Viability Rating	bbb+
Support Rating	1
Derivative Counterparty Rating	A−(dcr)
Deposit Ratings	A−/F1

Sovereign Risk

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Bayerische Landesbank

	31 Dec 17	31 Dec 16
Total assets (EURbn)	214.5	212.2
Total equity (EURbn)	10.8	10.0
Operating profit (EURm)	650	546
Impaired loans/gross loans (%)	3.0	3.1
Operating profit/risk-weighted assets (%)	1.1	0.8
Fitch Core Capital/risk-weighted assets (%)	16.6	14.6
Loans/customer deposits (%)	146	155
Common equity Tier 1 ratio (fully loaded, %)	15.3	13.2
Leverage ratio (fully loaded, %)	4.0	3.8

Related Research

Fitch Affirms Bayerische Landesbank's IDR at 'A−'/Stable, Upgrades VR to 'bbb+' (April 2018)

Bayerische Landesbank – Ratings Navigator (June 2018)

Germany – Global Economic Outlook Forecast (June 2018)

Fitch 2018 Outlook: Western European Banks (December 2017)

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Key Rating Drivers

Support Drives Ratings: Bayerische Landesbank's (BayernLB) Issuer Default Ratings (IDRs), Support Rating and senior debt rating reflect Fitch Ratings' view of a very strong likelihood of support from the bank's owners, the state of Bavaria, the savings banks in Bavaria and ultimately the German savings banks, Sparkassen-Finanzgruppe (SFG, A+/Stable). Fitch's institutional support assumptions reflect the view that the owners consider their investment in BayernLB to be long-term and strategic.

Improving Company Profile: BayernLB is no longer subject to restrictions on its business from the European Union following the full repayment of state aid in 2Q17, which Fitch considers positive for the bank's company profile. We believe that BayernLB has the ability to manage growth opportunities prudently without fundamentally changing its risk profile. Nevertheless, the business model remains challenged by its dependence on interest income.

Improved Capitalisation: BayernLB's fully loaded common Tier 1 (CET1) ratio increased to 15.3% at end-2017 (end-2016: 13.2%), driven by declining risk-weighted assets (RWAs) and retained profit. At this level, the bank maintains capital with a comfortable buffer over regulatory requirements, which allows it to accommodate modest asset growth in the medium term.

IFRS 9 Impact Neutral: The first-time adoption of IFRS 9 on 1 January 2018 had a neutral impact on BayernLB's capitalisation because negative measurement differences on its reported equity were almost fully offset by a supervisory shortfall that had already been deducted from CET1 capital. The bank's fully loaded leverage ratio of 4% at end-2017 was acceptable but not strong, in our view.

Sound Asset Quality: BayernLB's core portfolio is of good quality, as reflected by declining non-performing loans (NPLs) and low impairment charges, but legacy assets still represent a substantial part of the bank's total NPL book. Significant sector and single-name loan concentration weigh on our assessment of asset quality in line with Landesbanken peers.

Modest Profitability: BayernLB's pre-tax profit of EUR652 million in 2017 benefited from rising net interest income (NII), driven by lower funding costs and from low loan impairment charges. Deutsche Kreditbank AG (DKB), its wholly owned retail banking subsidiary, contributed EUR272 million to pre-tax profit. Operating costs remain high and we do not expect a material short-term improvement due to investment in infrastructure and regulatory projects. The bank's efficiency metrics are reasonable compared with peers.

Solid Funding Mix: BayernLB's healthy liquidity and funding profile is supported by diversified funding sources. The bank's material reliance on wholesale funding is mitigated by its access to the savings banks' strong excess liquidity and rising retail deposits at DKB.

Rating Sensitivities

Support Is Key: BayernLB's IDRs are sensitive to changes in our assumptions on its owners' propensity and ability to provide timely support. This could result from changes to SFG's IDRs, its owners' strategic commitment or the bank's importance to Bavaria or to the savings banks.

Business Model: A further upgrade of BayernLB's Viability Rating (VR) is unlikely as it would require significant changes to the bank's business model and increased diversification to improve its earnings capacity. Materially weaker performance or loosening of underwriting standards, which could erode its asset quality and capitalisation, would put downward pressure on the VR.

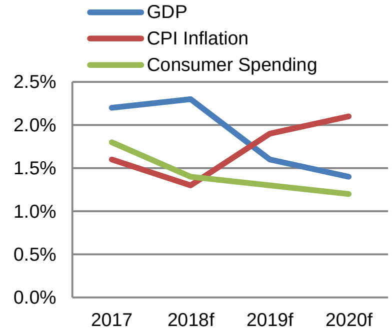
Operating Environment

German and Regional Economic Environment Still Supportive

BayernLB operates predominantly in its home region of Bavaria but also across Germany. Bavaria is one of Germany's most prosperous regions with productivity and income per capita well above the German average. About 80% of BayernLB's gross credit exposure is to German customers, while its non-domestic portfolio primarily comprises western European and North American businesses. This underlines BayernLB's strong sensitivity to domestic economic developments but also technological and industry challenges in its corporate segment and protectionist trends abroad.

Fitch expects the German economy to grow by 2.3% in 2018 and to remain fundamentally strong despite lower GDP growth forecasts of 1.6% and 1.4% in 2019 and 2020, respectively. A much sharper-than-anticipated pick-up in US inflation and global trade tensions are the main risks to Fitch's global economic outlook. Populist political forces continue to create policy risk and increase the threat of rising tensions within the eurozone that could adversely affect the outlook for investment.

Germany-Forecast Summary



Source: Fitch - Germany - June 2018 Global Economic Outlook Forecast

Competitive Headwinds and Margin Pressure

Fierce competition in the German banking sector, investments in digitalisation and margin pressure weigh on banks' sustainable business and profit growth. Fitch believes that these factors will broadly persist in 2018 and 2019.

Impactful European Banking Regulation Changes

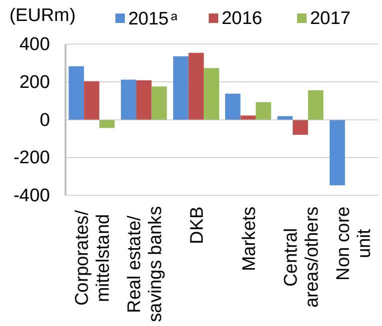
Regulatory and supervisory developments and initiatives will continue to shape the European and German banking industry. Fitch expects supervisory scrutiny, alongside harmonisation of standards, to increase in 2018.

In our view, the most important developments relate to the final standards on Basel III, primarily the output floor, which changes the capital requirements based on internal models. However, implementation will only start in 2022 following a transitional phase of five years. Fitch also expects EU lawmakers to implement the second-wave Basel standards, concerning the leverage ratio, liquidity and counterparty credit risk regimes.

Harmonised Ranking of Unsecured Debt

In July 2018, an amendment to the German Banking Act came into force that harmonises the ranking of unsecured debt instruments issued by German banks with the EU's Insolvency Hierarchy Directive. The amended Act allows banks to issue senior-non preferred bonds and senior preferred bonds, while under the previous regime, plain-vanilla senior bonds ranked junior to other senior liabilities.

Pre-tax Profits by Segment



[a] Non-core unit no longer exists
Source: BayernLB

Company Profile

Public-Sector Bank Institution

BayernLB is a public law institution and Germany's second-largest Landesbank by total assets. Its statutory role is to be Bavaria's state bank and a central service provider and sales partner for the region's 65 savings banks, which had total assets of EUR203 billion at end-2017.

The BayernLB group includes the legally dependent but organisationally and financially independent institution Bayerische Landesbodenkreditanstalt, Munich (BayernLabo), which reported total assets of EUR20 billion at end-2017. BayernLabo does not add material risk to the group as the state of Bavaria is the unconditional, permanent and irrevocable guarantor for all of its liabilities. However, the tight business margins in BayernLabo's promotional development business negatively affect the level of BayernLB's consolidated net interest margin.

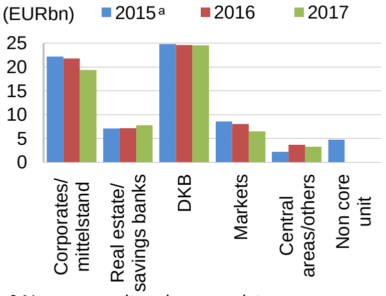
Related Criteria

Bank Rating Criteria (June 2018)

Domestic Wholesale-Driven Commercial Business Model

BayernLB's business model is based on its statutory role, the savings banks business and a wholesale-driven commercial business structure, which concentrates on its region and primarily domestic business activities and leads to single-name and geographical concentrations. This is mitigated by its retail banking arm DKB, which has much more granular exposures.

RWA Development by Segment



[a] Non-core unit no longer exists
Source: BayernLB

Entrenched Corporate Franchise, Established Retail Business

BayernLB's business is concentrated on large and medium-sized corporates in Germany and, to a lesser extent, in neighbouring Austria and Switzerland, as well as on residential and commercial real estate customers. The bank provides a broad range of customer-driven capital market and treasury products in its financial market divisions, including asset management services through Bayern Invest. BayernLB's international activities are only moderate and generally connected to financial service requirements of its customer base. The bank has branches in London, Milan, New York and Paris, and a representative office in Moscow.

BayernLB has a comparably larger retail and small business customer base than other Landesbanken through DKB in segments that include environmental technology, residential, municipal and social infrastructure, and utilities and card services. DKB reported total assets of EUR77.3 billion at end-2017, equal to 36% of BayernLB's balance sheet. DKB is a core business with 3.7 million customers and is a significant contributor to the group's revenue. DKB primarily conducts its business through digital channels, but has begun to broaden its presence for business customers across Germany by opening eight offices (24 in total at end-2017).

Management and Strategy

Moderate Expansion to Strengthen Earnings Base

BayernLB targets a selected number of strategic initiatives to improve its earnings through volume growth in higher-margin business without fundamentally altering its business model. Following the termination of EU restrictions in July 2017, these include a return to the previously restricted aircraft financing business, a re-establishment of business relationships with global corporates and US real-estate business (primarily in New York). According to management, all these activities are expected to be at a moderate scale and will gradually reduce BayernLB's concentration risk on the German economy.

BayernLB's executive management has been stable. A new chairman of the supervisory board with a strong record in finance was appointed in April 2018.

Risk Appetite

Strategic Initiatives Backed by Improved Capitalisation

BayernLB's strategic initiatives indicate a shift in risk appetite after years of consolidating its balance sheet. However, we expect BayernLB to manage strategic growth opportunities prudently and do not expect a loosening of underwriting standards. BayernLB's improved loss-absorbing capacity could accommodate moderately higher risk appetite, but we do not expect loan growth to exceed its capital growth.

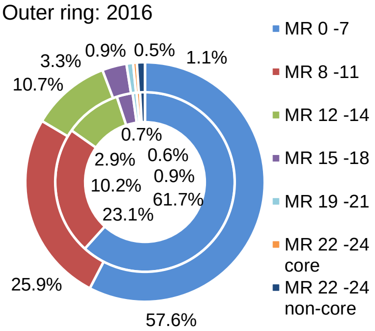
Moderate Exposure to Market Risk

We view BayernLB's market risk exposure as moderate compared with its loss-absorbing capacity. The bank is mainly exposed to interest-rate risk and, to a lesser extent, credit spread risk. Its vulnerability to interest-rate shocks in the banking book is moderate compared with equity because commercial business is generally match-funded. DKB is a large contributor to the group's market risk given the interest-rate risk in the banking book in its retail business. However, interest-rate sensitivities in case of a 200bp parallel shift of interest rates would only absorb 8.8% of DKB's own funds, which is lower than many retail banks, particularly to the German savings and cooperative banks.

The bank uses supervisory standardised methods for market risk but no internal risk models. The calculation of market risk-related economic capital requirements includes the risk from pension liabilities. Its financial profile is vulnerable to changes in the real-estate market. BayernLB's risk control framework is adequate for monitoring and managing related risk.

Trading activities remained moderate after the termination of state-aid proceedings and are largely customer driven. Trading assets make up less than 6% of the bank's end-2017 total assets. Given its domestic focus, foreign-exchange risks are low.

Rating Migration - Net Credit Exposure by Rating Class¹
Inner ring: 2017
Outer ring: 2016



¹ Includes rounding errors
Investment Grade: MR 0 - 11
Non-Inv. Grade: MR12 - 21
Default: MR22 - 24
Source: BayernLB

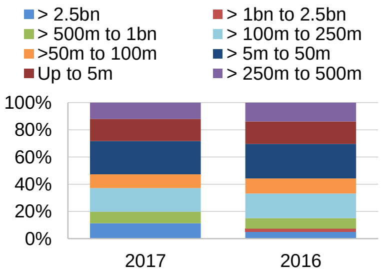
Asset Quality

Sound Core Asset Quality; Legacy Default Portfolio

BayernLB's asset quality was stable in 2017 reflecting Germany's benign economic environment and a healthy quality in its core portfolios. At end-2017, 85% of BayernLB's gross credit volume was rated investment grade (84% at end-2016). Forborne loans and advances to customers amount to EUR3.8 billion, of which EUR952 million were performing at end-2017.

The bank still has a larger legacy NPL portfolio than peers' and this accounts for about 58% of its EUR4 billion total default portfolio, according to BayernLB's rating scale (MR 22-24). About EUR1.2 billion related to its unreserved exposure in Heta Resolution AG, which dilutes BayernLB's NPL coverage ratio. However, a memorandum of understanding reached between Bavaria and Austria in July 2015 included a compensation payment from Austria of EUR1.2 billion. This amount largely eliminates the economic risk of the exposure. Adjusted for this, BayernLB's NPL coverage is more in line with peers'.

Large Exposures to Central Banks
Net credit exposure at end-2017: EUR198bn
Net credit exposure at end-2016: EUR189bn



Source: BayernLB

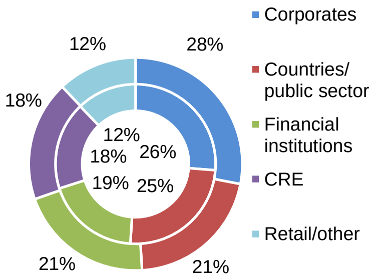
Higher Large Loan Exposure, but Mainly Central Banks

At end-2017, 80% of the bank's net credit exposure (2016: 85%) consists of individual loans of up to EUR0.5 billion. The decrease in granularity is due to a sharp increase in exposures above EUR1 billion, which rose from EUR13 billion to EUR22 billion. The increase is largely due to cash deposited with central banks (mainly the Deutsche Bundesbank) and hence carries low credit risk.

Corporate Sector Concentration Risks in Utilities and Automotive Sector

Corporates are BayernLB's largest sub-portfolio with a gross exposure of EUR70 billion. Despite reasonable sector diversification we perceive risks in utilities given the size of the portfolio (EUR23 billion) and in the automotive sector. Exposure to the latter totalled EUR5.6 billion at end-2017. Technological and regulatory disruptions could reshape this sector's long-term competitive landscape and weaken the market position of BayernLB's largest borrowers.

Gross Exposure
Breakdown by sub-portfolio
Outer ring: End-2016 (EUR257bn)
Inner ring: End-2017 (EUR266bn)



Source: BayernLB

Stable Quality in Commercial Real Estate

The bank's gross real-estate portfolio rose moderately to EUR47.1 billion at end-2017 and has a residential share of 63%, driven by DKB's lending activities. The portfolio focuses on Germany (90%). With an average ticket size of about EUR30 million, DKB's business is much more granular than BayernLB's. The segment's NPL ratio of 2.2% is in line with peers.

Modest Exposure to Higher-Risk Segments

BayernLB's exposure to lower-rated sovereigns, is moderate. The exposure to riskier asset classes like leverage finance or structured transactions is low and in our view does not represent a material risk to BayernLB's overall credit quality.

Earnings and Profitability

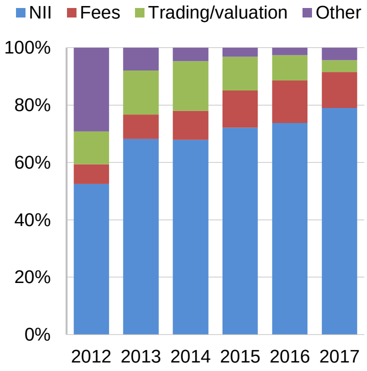
Structurally Modest Operating Profits

BayernLB reported a pre-tax profit of EUR652 million in 2017. Although it is lower than 2016 (EUR708 million), its operating profit/RWAs ratio increased in 2017 if adjusted by one-off effects in 2016 and considering the drop in RWAs.

NII represents BayernLB's main revenue source. Therefore, the bank is structurally vulnerable to long periods of low interest rates and margins. The corresponding low profitability is a relative rating weakness and negatively affects its long-term earnings capacity.

BayernLB's financial results have been broadly stable over the past three years thanks to its core segments' limited earnings volatility. Results from trading and fair-value measurements are varying and typically account for less than 20% of its gross revenue. Income generation from fees is low and remained a weakness in 2017, when it declined by 11%. As in 2016, low-risk costs supported BayernLB's profitability in 2017.

Revenue Drivers



Source: Fitch; BayernLB

DKB Drives Rise in Net Interest Income

DKB's NII of EUR935 million in 2017 represented about 56% of the group's total NII. Despite the market trend, DKB's NII rose by a strong 18% in 2017 due to lower funding costs driven by increased deposit funding, growth in customers and improved interest-rate management. Interest expenses also declined at BayernLB due to lower funding costs, minimal issuance of subordinated debt and by aligning its practice of charging institutional client deposits with negative interest rates in line with the market. However, the NII in BayernLB's corporate business/real estate (-5% yoy) unit, and its savings banks/markets segment (-2.5% yoy) declined in 2017, underlining the negative structural factors still in place.

Nevertheless, we expect any further negative impact from the low-interest-rate environment to be more muted than BayernLB's peers thanks to DKB's ability to attract customer deposits.

Sticky Cost Base

BayernLB's administrative expenses fell slightly in 2017. Its efficiency metrics are reasonable compared with peers due to DKB's favourable cost/income ratio of 51% in 2017. We do not expect material short-term improvements in operating costs given infrastructure and regulatory investment in the bank's medium-term financial planning.

Broadly Stable Financial Results Expected in 2018

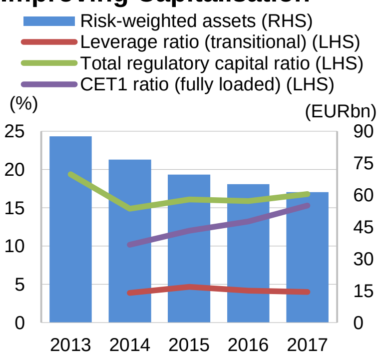
In 1Q18, BayernLB reported a pre-tax profit of EUR237 million, which included almost the full charge for the bank levy and the deposit guarantee scheme. We expect profitability in 2018 to remain broadly in line with last year.

Capitalisation and Leverage

Improved Capital Ratios

BayernLB reported a fully loaded CET1 ratio of 15.3% at end-2017 up from 13.2 % at end-2016, which compares well with peers. Its Fitch Core Capital ratio rose to 16.6% at end-2017. The improvement was largely driven by a EUR3.8 billion decline in RWAs and profit retention. BayernLB was previously restricted on dividend payments by the EU but has resumed dividend payments (EUR50 million for 2017). The bank's fully loaded leverage ratio of 4.0% at end-2017 is moderate and at the lower end of the peer group.

Improving Capitalisation

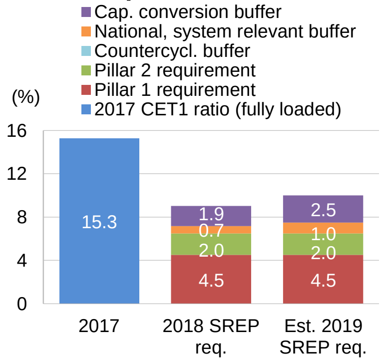


Source: BayernLB

Comfortably Above Regulatory Threshold

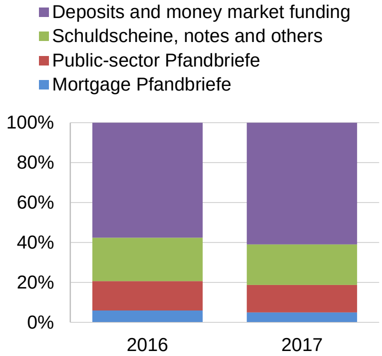
BayernLB comfortably complies with the requirements of the supervisory and regulatory evaluation process (SREP), both for 2018 (9.04%) and its expected requirement for 2019 (10%). In our view, the capital surplus above the regulatory requirement provides a significant loss-absorbing buffer to counter an unexpected material rise in RWAs.

SREP Requirements



Source: BayernLB

Stable Funding Structure



Source: BayernLB

RWA Growth to Result in Lower Capital Ratios

We expect BayernLB's CET1 ratio to moderately decline due to rising RWAs in 2018 and beyond as indicated at end-1Q18, when its CET1 ratio dropped to 14.6%. BayernLB has ended its balance-sheet deleveraging and we expect its moderate projected growth in assets to consistently absorb capital. A capital-preserving dividend pay-out ratio and our expectation of sufficient profits are likely to support an adequate level of capitalisation in line with management's target of a fully loaded CET1 ratio above 12.5% until 2022.

In the medium term, BayernLB's capitalisation will also be negatively affected by the revised Basel rules, which set a floor in capital requirements calculated under internal models at 72.5%. About 86% of its loan portfolio is calculated based on an internal rating-based approach. However, the implementation date in January 2022 and the lengthened phase-in period between 2022 and 2026 is likely to allow a smooth transition.

The main risk to BayernLB's capitalisation stems from a material deterioration in asset quality should Germany's benign credit environment change.

No Impact on Capital from IFRS 9 Adoption

The first-time adoption of IFRS 9 reduced the CET1 capital by about EUR178 million, due to changes in loan-loss allowances. BayernLB says it will not make use of the supervisory transitional provisions. Since the reduction in reported equity and that of BayernLB's supervisory shortfall almost offset each other, the fully loaded CET1 ratio remained almost unchanged.

Funding and Liquidity

Solid Funding Mix and Diversified Customer Groups

BayernLB's funding profile is supported by diversified funding sources and customer groups. At a group level the bank's reliance on wholesale funding is mitigated by its access to the savings banks' strong liquidity but particularly by the growth of less market sensitive retail deposits at DKB. These amounted to EUR44 billion at end-2017 in sight deposits (end-2016: EUR40 billion). BayernLB and DKB are both covered bond issuers: a strong over-collateralisation of EUR10 billion in BayernLB's cover pool and of EUR8.8 billion in DKB's leaves material room for further issuance. BayernLB easily meets is provisional MREL requirement due to the large pool of senior unsecured bonds and other qualified debt instruments that could be bailed in.

Comfortable Liquidity Position

BayernLB has a healthy liquidity position as reflected by a rise in highly liquid assets to EUR32.6 billion, resulting in a liquidity coverage ratio of 159% at group level at end-2017. The bank improved its liquidity surpluses in the gap analysis across all maturity buckets up to five years compared with the previous year. It has also access to the Federal Reserve's discount window through its New York branch.

Senior Debt, Deposit and Derivative Counterparty Ratings

BayernLB's senior debt ratings are aligned with the bank's IDRs. Subordinated debt instruments are notched down once from BayernLB's VR to reflect loss severity relative to average recoveries.

The Derivative Counterparty and Deposit Ratings are equalised with the bank's IDRs. We believe the bank's buffers of junior and vanilla senior debt do not afford any obvious incremental probability of default benefit over and above the support benefit already factored into its IDRs. We do not apply any uplift for above-average recovery prospects in the event of default because of the limited visibility on recovery levels in such circumstances. In the highly unlikely event that BayernLB failed and was not supported by its savings banks and state owners, its balance sheet would most probably differ substantially from the current one.

Bayerische Landesbank
Income Statement

	31 Dec 2017 Year End EURm Audited - Unqualified	31 Dec 2016 Year End EURm Audited - Unqualified	31 Dec 2015 Year End EURm Audited - Unqualified	31 Dec 2014 Year End EURm Audited - Unqualified
1. Interest Income on Loans	3,594	3,871	4,224	4,748
2. Other Interest Income	2,741	2,623	2,235	2,505
3. Dividend Income	n.a.	n.a.	n.a.	n.a.
4. Gross Interest and Dividend Income	**6,335**	**6,494**	**6,459**	**7,253**
5. Interest Expense on Customer Deposits	n.a.	n.a.	n.a.	n.a.
6. Other Interest Expense	4,676	5,019	4,847	5,582
7. Total Interest Expense	**4,676**	**5,019**	**4,847**	**5,582**
8. Net Interest Income	**1,659**	**1,475**	**1,612**	**1,671**
9. Net Fees and Commissions	263	296	289	249
10. Net Gains (Losses) on Trading and Derivatives	60	79	(112)	(35)
11. Net Gains (Losses) on Assets and Liabilities at FV	3	3	118	(59)
12. Net Gains (Losses) on Other Securities	23	96	257	521
13. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
14. Other Operating Income	91	51	71	114
15. Total Non-Interest Operating Income	**440**	**525**	**623**	**790**
16. Total Operating Income	**2,099**	**2,000**	**2,235**	**2,461**
17. Personnel Expenses	663	718	631	596
18. Other Operating Expenses	692	649	629	580
19. Total Non-Interest Expenses	**1,355**	**1,367**	**1,260**	**1,176**
20. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	n.a.	n.a.
21. Pre-Impairment Operating Profit	**744**	**633**	**975**	**1,285**
22. Loan Impairment Charge	94	87	264	1,498
23. Securities and Other Credit Impairment Charges	n.a.	n.a.	n.a.	n.a.
24. Operating Profit	**650**	**546**	**711**	**(213)**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.
26. Goodwill Impairment	n.a.	n.a.	n.a.	n.a.
27. Non-recurring Income	9	182	n.a.	n.a.
28. Non-recurring Expense	7	n.a.	10	33
29. Change in Fair Value of Own Debt	n.a.	(20)	(56)	(102)
30. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.
31. Pre-tax Profit	**652**	**708**	**645**	**(348)**
32. Tax expense	(27)	158	150	(98)
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	(1,070)
34. Net Income	**679**	**550**	**495**	**(1,320)**
35. Change in Value of AFS Investments	(27)	(94)	(43)	489
36. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
37. Currency Translation Differences	2	0	(8)	102
38. Remaining OCI Gains/(losses)	141	(69)	(69)	(243)
39. Fitch Comprehensive Income	**795**	**387**	**375**	**(972)**
40. Memo: Profit Allocation to Non-controlling Interests	2	5	(1)	n.a.
41. Memo: Net Income after Allocation to Non-controlling Interests	677	545	491	(1,320)
42. Memo: Common Dividends Relating to the Period	n.a.	n.a.	n.a.	n.a.
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	n.a.	n.a.
Exchange rate	USD1 = EUR0.83382	USD1 = EUR0.9487	USD1 = EUR0.9185	USD1 = EUR0.8237

Bayerische Landesbank
Balance Sheet

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
Assets				
A. Loans				
1. Residential Mortgage Loans	n.a.	n.a.	n.a.	n.a.
2. Other Mortgage Loans	n.a.	n.a.	n.a.	n.a.
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	n.a.	n.a.	n.a.	n.a.
5. Other Loans	134,686	134,760	135,812	134,017
6. Less: Loan Loss Allowances	1,178	1,295	2,539	2,510
7. Net Loans	**133,508**	**133,465**	**133,273**	**131,507**
8. Gross Loans	**134,686**	**134,760**	**135,812**	**134,017**
9. Memo: Impaired Loans included above	3,994	4,109	6,072	6,588
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets				
1. Loans and Advances to Banks	37,776	28,783	29,216	36,562
2. Reverse Repos and Securities Borrowing	n.a.	n.a.	n.a.	n.a.
3. Derivatives	9,980	14,491	16,394	24,056
4. Trading Securities and at FV through Income	3,357	4,349	3,838	4,731
5. Available for Sale Securities	22,712	26,111	27,979	22,738
6. Held to Maturity Securities	n.a.	n.a.	n.a.	n.a.
7. Other Securities	72	171	343	9,390
8. Total Securities	**26,141**	**30,631**	**32,160**	**36,859**
9. Memo: Government Securities included Above	n.a.	n.a.	n.a.	n.a.
10. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
11. Equity Investments in Associates	491	427	311	353
12. Investments in Property	31	32	35	37
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.
15. Total Earning Assets	**207,927**	**207,829**	**211,389**	**229,374**
C. Non-Earning Assets				
1. Cash and Due From Banks	3,556	2,096	2,246	1,041
2. Memo: Mandatory Reserves included above	n.a.	n.a.	n.a.	n.a.
3. Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	340	347	351	360
5. Goodwill	n.a.	n.a.	n.a.	n.a.
6. Other Intangibles	86	86	106	114
7. Current Tax Assets	10	44	144	74
8. Deferred Tax Assets	544	358	331	314
9. Discontinued Operations	0	25	205	80
10. Other Assets	2,058	1,365	939	767
11. Total Assets	**214,521**	**212,150**	**215,711**	**232,124**
Liabilities and Equity				
D. Interest-Bearing Liabilities				
1. Total Customer Deposits	91,945	86,795	86,030	81,635
2. Deposits from Banks	54,442	54,211	60,360	64,138
3. Repos and Securities Lending	n.a.	n.a.	n.a.	n.a.
4. Commercial Paper and Short-term Borrowings	12,355	8,944	5,172	16,929
5. Customer Deposits and Short-term Funding	**158,742**	**149,950**	**151,562**	**162,702**
6. Senior Unsecured Debt	29,563	30,735	29,714	27,471
7. Subordinated Borrowing	1,446	2,600	2,950	4,275
8. Covered Bonds	n.a.	n.a.	n.a.	n.a.
9. Other Long-term Funding	n.a.	n.a.	n.a.	n.a.
10. Total LT Funding	**31,009**	**33,335**	**32,664**	**31,746**
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	n.a.	n.a.
12. Trading Liabilities	746	632	643	518
13. Total Funding	**190,497**	**183,917**	**184,869**	**194,966**
14. Derivatives	7,776	11,466	13,001	19,828
15. Total Funding and Derivatives	**198,273**	**195,383**	**197,870**	**214,794**
E. Non-Interest Bearing Liabilities				
1. Fair Value Portion of Debt	(71)	(61)	(45)	(115)
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	4,233	4,421	4,300	4,360
4. Current Tax Liabilities	252	198	217	175
5. Deferred Tax Liabilities	0	0	4	28
6. Other Deferred Liabilities	n.a.	28	28	26
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	561	644	504	621
10. Total Liabilities	**203,248**	**200,613**	**202,878**	**219,889**
F. Hybrid Capital				
1. Pref. Shares and Hybrid Capital accounted for as Debt	457	481	1,770	446
2. Pref. Shares and Hybrid Capital accounted for as Equity	45	1,069	1,394	2,256
G. Equity				
1. Common Equity	10,468	9,658	9,246	9,073
2. Non-controlling Interest	13	15	14	n.a.
3. Securities Revaluation Reserves	288	315	409	452
4. Foreign Exchange Revaluation Reserves	2	(1)	0	8
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	n.a.	n.a.
6. Total Equity	**10,771**	**9,987**	**9,669**	**9,533**
7. Equity plus Pref. Shares and Hyb. Cap. Acc. for as Equity	10,816	11,056	11,063	11,789
8. Total Liabilities and Equity	**214,521**	**212,150**	**215,711**	**232,124**
9. Memo: Fitch Core Capital	10,187	9,486	9,227	9,145

Bayerische Landesbank
Summary Analytics

	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	3.0	3.0	2.9	3.0
2. Interest Income on Loans/ Average Gross Loans	2.7	2.8	3.1	3.5
3. Interest Expense on Customer Deposits/ Av. Cust.. Deposits	n.a.	n.a.	n.a.	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	2.3	2.5	2.3	2.5
5. Net Interest Income/ Average Earning Assets	0.8	0.7	0.7	0.7
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.7	0.7	0.6	0.1
7. Net Interest Inc Less Pref. Stock Dividend/ Av. Earnings Assets	0.8	0.7	0.7	0.7
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	1.1	0.8	1.0	(0.3)
2. Non-Interest Expense/ Gross Revenues	64.6	68.4	56.4	47.8
3. Loans and securities impairment charges/ Pre-impairment Op. Prof	12.6	13.7	27.1	116.6
4. Operating Profit/ Average Total Assets	0.3	0.3	0.3	(0.1)
5. Non-Interest Income/ Gross Revenues	21.0	26.3	27.9	32.1
6. Non-Interest Expense/ Average Total Assets	0.6	0.6	0.6	0.5
7. Pre-impairment Op. Profit/ Average Equity	7.0	6.4	9.2	11.0
8. Pre-impairment Op. Profit/ Average Total Assets	0.3	0.3	0.4	0.5
9. Operating Profit/ Average Equity	6.1	5.5	6.7	(1.8)
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	6.4	5.5	4.7	(11.3)
2. Net Income/ Average Total Assets	0.3	0.3	0.2	(0.5)
3. Fitch Comprehensive Income/ Average Total Equity	7.5	3.9	3.6	(8.3)
4. Fitch Comprehensive Income/ Average Total Assets	0.4	0.2	0.2	(0.4)
5. Taxes/ Pre-tax Profit	(4.1)	22.3	23.3	28.2
6. Net Income/ Risk Weighted Assets	1.1	0.8	0.7	(1.7)
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	16.6	14.6	13.3	11.9
2. Tangible Common Equity/ Tangible Assets	4.8	4.5	4.3	4.0
3. Equity/ Total Assets	5.0	4.7	4.5	4.1
4. Basel Leverage Ratio	4.0	4.2	n.a.	n.a.
5. Common Equity Tier 1 Capital Ratio	15.3	14.7	14.0	12.5
6. Fully Loaded Common Equity Tier 1 Capital Ratio	15.3	13.2	n.a.	n.a.
7. Tier 1 Capital Ratio	15.3	13.3	14.2	12.5
8. Total Capital Ratio	17.5	17.0	16.1	14.9
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	27.6	29.7	38.3	44.6
10. Impaired Loans less Loan Loss Allowances/ Equity	26.1	28.2	36.5	42.8
11. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
12. Risk Weighted Assets/ Total Assets	28.6	30.7	32.3	33.0
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ RWAs	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Impaired Loans/ Gross Loans	3.0	3.1	4.5	4.9
2. Growth of Gross Loans	(0.1)	(0.8)	1.3	(2.9)
3. Loan Loss Allowances/ Impaired Loans	29.5	31.5	41.8	38.1
4. Loan Impairment Charges/ Average Gross Loans	0.1	0.1	0.2	1.1
5. Growth of Total Assets	1.1	(1.7)	(7.1)	(9.1)
6. Loan Loss Allowances/ Gross Loans	0.9	1.0	1.9	1.9
7. Net Charge-offs/ Average Gross Loans	0.1	1.1	0.2	0.3
8. NPLs + Foreclosed Assets/ Gross Loans + Foreclosed Assets	3.0	3.1	4.5	4.9
F. Funding and Liquidity				
1. Loans/ Customer Deposits	146	155	158	164
2. Liquidity Coverage Ratio	159	136	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	48	47	46	41
4. Interbank Assets/ Interbank Liabilities	69.4	53.1	48.4	57.0
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	5.9	0.9	5.4	(5.3)

Bayerische Landesbank
Reference Data

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
A. Off-Balance Sheet Items				
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.
3. Guarantees	10,753	10,671	10,193	11,477
4. Acceptances and documentary credits reported off-BS	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	25,510	24,085	21,458	24,053
6. Other Contingent Liabilities	6	n.a.	n.a.	n.a.
7. Other Off-Balance Sheet items	134	35	61	290
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.
B. Average Balance Sheet				
1. Average Loans	135,620	136,230	134,809	135,043
2. Average Earning Assets	214,793	215,151	222,671	241,892
3. Average Total Assets	218,824	220,227	226,465	248,346
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.
5. Average Interest-Bearing Liabilities	204,690	203,221	208,986	227,146
6. Average Common equity	10,414	9,648	10,335	11,606
7. Average Equity	10,601	9,969	10,575	11,684
8. Average Customer Deposits	90,140	88,632	82,685	85,698
C. Maturities				
Asset Maturities:				
Loans & Advances < 3 months	13,225	11,871	15,850	15,021
Loans & Advances 3 - 12 Months	10,191	11,884	10,535	10,852
Loans and Advances 1 - 5 Years	42,968	41,787	41,696	37,525
Loans & Advances > 5 years	68,302	69,218	67,731	70,619
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks < 3 Months	20,381	11,174	11,029	15,468
Loans & Advances to Banks 3 - 12 Months	3,634	4,156	4,059	6,362
Loans & Advances to Banks 1 - 5 Years	5,542	6,079	7,011	7,271
Loans & Advances to Banks > 5 Years	8,219	7,374	7,117	7,461
Liability Maturities:				
Retail Deposits < 3 months	64,650	59,550	56,682	51,679
Retail Deposits 3 - 12 Months	4,761	3,646	6,095	5,587
Retail Deposits 1 - 5 Years	7,821	7,820	7,610	8,426
Retail Deposits > 5 Years	14,713	15,779	15,643	15,943
Other Deposits < 3 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Other Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.
Deposits from Banks < 3 Months	11,908	10,964	15,607	14,834
Deposits from Banks 3 - 12 Months	5,126	5,291	5,398	8,518
Deposits from Banks 1 - 5 Years	14,058	15,074	16,895	18,024
Deposits from Banks > 5 Years	23,350	22,882	22,460	22,762
Senior Debt Maturing < 3 months	8,604	4,374	1,508	3,712
Senior Debt Maturing 3-12 Months	3,751	4,570	3,664	13,217
Senior Debt Maturing 1- 5 Years	14,640	14,831	14,674	15,016
Senior Debt Maturing > 5 Years	14,923	15,843	15,040	12,455
Total Senior Debt on Balance Sheet	**41,918**	**39,618**	**34,886**	**44,400**
Fair Value Portion of Senior Debt	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	**1,446**	**2,600**	**2,950**	**4,275**
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets				
1. Risk Weighted Assets	61,420	65,206	69,606	76,616
2. FCCI Adjustments for Insurance and Securitisation RWA	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	**61,420**	**65,206**	**69,606**	**76,616**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	**61,420**	**65,206**	**69,606**	**76,616**
E. Fitch Core Capital Reconciliation				
1. Total Equity as reported (including non-controlling interests)	10,771	9,987	9,669	9,533
2. Fair-value adj. relating to own credit risk on debt issued	(71)	(61)	0	0
3. Non-loss-absorbing non-controlling interests	0	0	0	0
4. Goodwill	0	0	0	0
5. Other intangibles	86	86	106	114
6. Deferred tax assets deduction	427	354	336	274
7. Net asset value of insurance subsidiaries	0	0	0	0
8. First loss tranches of off-balance sheet securitizations	0	0	0	0
9. Fund for gen. Banki. risks if not already included and readily conve	0	0	0	0
10. Fitch Core Capital	**10,187**	**9,486**	**9,227**	**9,145**

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.